

COMMISSION ON STATE MANDATES

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October 12, 2004

Ms. Elaine M. Howle
State Auditor
555 Capitol Mall, Suite 300
Sacramento, CA 95814

Re: Bureau of State Audits' October 15, 2003 Report *Peace Officers Procedural Bill of Rights* and *Animal Adoption* Programs, Report No. 2003-106
One-Year Report on Implementation

Dear Ms. Howle:

The Audit Report on the above-named programs, issued on October 15, 2003, requires the Commission on State Mandates (Commission) to report on its efforts to implement the report recommendations within sixty days, six months, and one year of release of the Audit Report. This is our one-year report.

Sixty-Day Report

During the first sixty days following release of the Audit Report, staff with the Commission and the State Controller's Office met to develop a common understanding of the Audit Report recommendations, and to discuss how the Commission and the State Controller's Office can best implement the recommendations.

The Commission also adopted language for inclusion in all new parameters and guidelines adopted on or after December 2, 2003, that notifies claimants and the relevant state entities that the statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines. The language also points out that the support for such legal and factual findings is found in the administrative record of the test claim. These actions completed implementation of Recommendation 2.

In addition, on October 31, 2003, the Commission submitted a budget change proposal to Department of Finance requesting additional positions and funding to eliminate our backlogged caseload.

Six-Month Report

During the six months following release of the Audit Report, the Commission and the State Controller's Office sponsored legislation (AB 2224-Cohn) to require the Commission to amend the parameters and guidelines of the *Animal Adoption* program to correct the formula for determining the reimbursable portion of acquiring additional shelter space, and to allow the Controller sufficient time to perform field reviews to identify any inappropriate claiming. Staff with the Commission and the State Controller's Office also met with Department of Finance staff on March 29, 2004, to discuss the proposed changes in AB 2224.

In addition, the Commission adopted its first statewide cost estimate on March 25, 2004, in accordance with the Audit Report's Recommendation 4. Specifically, Commission staff more carefully analyzed the completeness of the initial claims data used to develop and adjust the statewide cost estimates. Additional proposed statewide cost estimates were developed using the recommended methodology and were adopted at the May 27, 2004 Commission hearings.

One-Year Report

Since the six-month report was submitted, several actions occurred that implemented the Audit Report recommendations.

The Governor signed AB 2224 (Stats. 2004, ch. 313) on August 25, 2004. On September 29, 2004, staff with the Commission and the State Controller's Office met with local agency representatives to review AB 2224 and to discuss a schedule for initiating the amendments to the *Animal Adoption* parameters and guidelines. This matter is tentatively set for hearing on March 31, 2005. Once the amendments are adopted, Recommendation 1 will be implemented. We also met with local agency and school district representatives to discuss the new provisions that will allow the State Controller's Office to audit reimbursement claims after they are submitted and prior to being paid. Enactment of this provision of AB 2224 completes implementation of Recommendation 3.

The Commission continued to adopt statewide cost estimates using the recommended methodology. On October 6, 2004, the Commission submitted its Report to the Legislature, transmitting to the Legislature the statewide cost estimates it adopted from January 1 through September 30, 2004. The Report disclosed the incomplete nature of the initial claims data used to develop the statewide cost estimates. The Commission's Report to the Legislature is enclosed. This action completes implementation of Recommendation 4.

On September 13, 2004, the Commission again submitted a budget change proposal requesting additional positions and funding to eliminate the caseload. This action is intended to implement Recommendation 5. While no new positions or funding has been approved, the Commission continues to work with Department of Finance on ways to eliminate its backlogged caseload.

Other Measures to Implement the Audit Report

In conjunction with the actions noted above, the Commission continues to work with the Assembly Special Committee on State Mandates to reform the mandates process. This year, the Committee sponsored AB 2856 (Stats. 2004, ch. 890) to provide numerous reforms to the mandates process. Several of these provisions are consistent with the Audit Report. For example, AB 2856 requires the Commission to notify appropriate Senate and Assembly policy and fiscal committees of test claim decisions; and requires local agencies and school districts to include statewide cost estimates in the test claims they file.

Overall, the Commission has procedures in place to amend the *Animal Adoption* parameters and guidelines by Spring 2005. The Commission and the State Controller successfully sponsored legislation that clarifies that after the audit is conducted, the parameters and guidelines for a mandated program could be amended so that claiming errors can be corrected prior to adoption of the statewide cost estimate and payment of the claims. This could reduce state expenditures, particularly if claims exceed the Legislature's original intent when enacting the state-mandated program. In addition, the Commission is adopting statewide cost estimates that better estimate the true costs of mandated programs and more accurately report the limitations of the statewide cost estimates to the Legislature. Finally, the Commission continues to work with the Legislature and the Department of Finance to secure adequate staffing and funding to eliminate our backlogged caseload.

Attached is a work plan that shows the status of implementation of the Audit Report recommendations, including person(s) responsible for implementation.

Thank you for the opportunity to work with your office during this process. Please call Nancy Patton at (916) 323-8217 with questions.

Sincerely,

PAULA HIGASHI
Executive Director

Enclosures: Final Workplan
Report to the Legislature

COMMISSION ON STATE MANDATES
IMPLEMENTATION OF BSA REPORT NO. 2003-106

BSA Recommendations and Summary of Tasks	Responsible Person(s)	Status
Recommendation 1. <i>To ensure that local entities receive reimbursement only for costs associated with the increased holding period for eligible animals, the Legislature should direct the Commission to amend the parameters and guidelines of the Animal Adoption mandate to correct the formula for determining the reimbursable portion of acquiring additional shelter space.</i>	Paula Higashi Paul Starkey Nancy Patton	
Summary of Tasks		
Sponsor legislation (AB 2224 – Cohn) to require Commission to amend parameters and guidelines.		Completed (08/25/04)
Once legislation is enacted to require the Commission to amend the parameters and guidelines, develop the draft language to correct the formula and issue for comment.		12/01/04
Schedule proposed amendment for hearing before the Commission.		03/31/05
Transmit new parameters and guidelines to the SCO and parties, if approved by the Commission.		Following Hearing
Recommendation 2. <i>To assist local entities in preparing mandate reimbursement claims, the Commission should include language in its parameters and guidelines to notify claimants and the relevant state entities that the statement of decision is legally binding on all parties and provides the legal and factual basis for the parameters and guidelines; it should also point out that the support for such legal and factual findings is found in the administrative record of the test claim.</i>	Nancy Patton	
Summary of Tasks		
Develop language for inclusion in all new parameters and guidelines adopted on or after December 2, 2003.		Completed (10/23/03)
CSM adopted language for inclusion in all parameters and guidelines.		Completed (12/02/03)

BSA Recommendations and Summary of Tasks (continued)	Responsible Person(s)	Status
Recommendation 3. <i>The Commission should work with the Controller, other affected state agencies, and interested parties to implement appropriate changes to the regulations governing the mandate process, allowing the Controller sufficient time to perform field reviews and identify any inappropriate claiming as well as suggest any needed changes to the parameters and guidelines prior to the development of the statewide cost estimate and the payment of claims. If the Commission and the Controller find they cannot accomplish these changes through the regulatory process, they should seek appropriate statutory changes.</i>	Paula Higashi	
Summary of Tasks		
Commission staff and SCO staff meet to discuss implementation of this recommendation.		Completed (11/03/03)
Commission staff and SCO staff continue to meet to discuss implementation of this recommendation and AB 2224.		Completed (11/19/03 12/16/03 01/21/04)
Commission staff and SCO staff meet with Department of Finance to discuss implementation of this recommendation and AB 2224.		Completed (03/29/04)
AB 2224 enacted		Completed (08/25/04)
Commission staff and SCO staff meet with local agency and school district representatives to discuss implementation of AB 2224.		Completed (09/29/04)

BSA Recommendations and Summary of Tasks (continued)	Responsible Person(s)	Status
Recommendation 4: <i>To project more accurate statewide cost estimates, the Commission staff should more carefully analyze the completeness of the initial claims data they use to develop the estimates and adjust the estimates accordingly. Additionally, when reporting to the Legislature, the Commission should disclose the incomplete nature of the initial claims data it uses to develop the estimates.</i>	Nancy Patton	
Summary of Tasks		
Develop additional assumptions and revise method for projecting future-year costs in accordance with the audit recommendation for the <i>Presidential Primary</i> program statewide cost estimate. (Development of assumptions and projecting future-year costs will occur on an individual basis for each statewide cost estimate.)		Completed (12/01/03)
Commission adopts statewide cost estimate for <i>Presidential Primary</i> program using revised calculations as recommended in Audit Report.		Completed (03/25/04)
Utilize new methods to develop all statewide cost estimates adopted by the Commission on or after the March 25, 2004 Commission hearing.		Completed (05/27/04)
Revise Reports to the Legislature to disclose incomplete nature of initial claims data used to develop statewide cost estimate, beginning with Reports submitted after the December 2, 2003 Commission hearing.		Completed (10/05/04)

Recommendation 5: <i>To ensure that it is able to meet its statutory deadlines in the future, the Commission should</i>	Paula Higashi	
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<i>continue to assess its caseload and work with the Department of Finance and the Legislature to obtain sufficient staffing to deal with its caseload.</i>		
Summary of Tasks		
Prepare and submit budget change proposals to Department of Finance for additional staff and resources that support the Commission's caseload.		Ongoing
Report at each Commission hearing the status of caseload.		Ongoing
Continue to update the Assembly Special Committee on State Mandates, and the Senate and Assembly Budget and Appropriations Committees on caseload issues.		Ongoing
Report pending statewide cost estimates to the Legislature to notify the Legislature of potential future costs to the state budget.		Ongoing